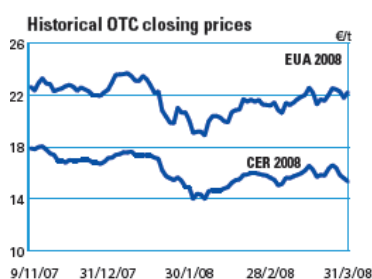


# MONTHLY CARBON REPORT



## MARKET INDICATORS:

### EU Allowances and CER Prices (€)



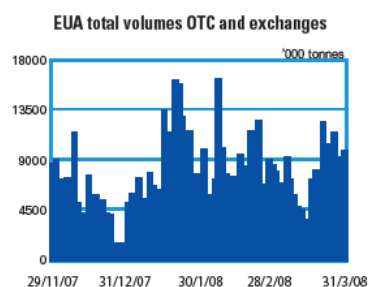
Source: Point Carbon, 31 March 2009

### Certified Emission Reductions (€)

Secondary market CER assessment (€/t)			
	Low	High	EUA-CER
Dec-08	15.30	15.40	6.88
Dec-08-12	15.60	15.70	7.84

Source: Point Carbon, 31 March 2009

### Volume of EU Allowance Trades



## UN Negotiations Underway in Bangkok

From Reuters, UNFCCC Website

The next round of climate negotiations, the first of four due this year, started March 31 in Bangkok, Thailand. These talks will move forward a set of decisions called the “Bali Roadmap”, adopted at the UN Climate Change Conference held in Bali in December 2007.

The Bangkok climate change talks are expected to establish a clear work program for a negotiation process on strengthened international action against climate change, established under the Bali Roadmap. In addition talks on further commitments for Kyoto Protocol Parties will include considering the possible “tools” available to industrialized countries to reach future emission reductions.

## Japan Pushing for Sectoral Targets Post-2012

From Point Carbon

In advance of the July G8 summit it is hosting, Japan is seeking support from other major greenhouse gas emitting nations, such as China, for its proposed sectoral approach to cutting emissions.

In addition to sending a special envoy to China, Japan will use all multilateral and bilateral meetings

planned in the run-up to the G8 summit.

Under the sectoral approach, each major GHG emitting country would calculate possible emissions cuts on an industry-by-industry, area-by-area basis, based on energy efficiency, that would then be tallied for a national goal.

## New, Higher Price Forecasts for 2020 and 2030

From Argus European Emissions Markets and Point Carbon

According to Rajendra Pachari, Chairman of the Intergovernmental Panel on Climate Change, and supported by Yvo de Boer, Executive Secretary of the UN Framework Convention on Climate Exchange, the price of emission reductions needs to rise to €100 by 2030 and, as de Boer notes, “If we can create a robust agreement in Copenhagen, then almost by definition you will be looking at these kind of prices.”

Other analysts note that in the shorter term, the EU allowance price could rise to €50 - 70 by 2020 as “unrealistic” energy efficiency and renewable targets, and over-estimated fuel switching potential, mean that other abatement efforts reflected in the EU market will have to take up the difference and the allowance price will thus increase.

In the U.S., an analysis by the National Association of Manufacturers of the leading Lieberman-Warner climate bill, suggests that allowance prices would

be \$64 (€41) in 2020 and \$271 in 2030. Critics of the study, however, note that among other short-fallings, the modeling ignored cost-containment tools in the bill.

## Hungary and Poland to sell AAUs

*From Reuters, Point Carbon*

News from Hungary suggests that there is a strong demand for AAUs obtained through International Emissions Trading. The European Bank for Reconstruction and Development (EBRD) has stated that it is willing to buy carbon-dioxide emissions rights worth €5-10 million from Hungary and declared that the rights would be used for compliance in Spain and Ireland. An EBRD proposal said that Hungary should utilize the revenues of the sale for environmental projects helping residents to more efficient energy consumption.

Meanwhile, Japan has announced it will buy an undisclosed number of AAUs from Poland. So far, there has been only one AAU trade that took place in 2002 from Slovakia to a Japanese trading house.

Pricing is a key question as there is no historical reference point and it is unclear how prices will compare with the project-based credits from Joint Implementation or the Clean Development Mechanism. No pricing figure for any of the planned transactions is available. The extent that AAUs are released into the market is important in understanding the demand for project-based credits.

## Trading Emissions Profits Increase

*From Environmental Finance Online News*

Carbon investment company Trading Emissions (TEP) announced increased profits for the last six months of 2007 to £74 million. TEP's strategy, the company announced, is to avoid selling credits forward as conditions in the CER spot market are "not yet optimal for large-scale disposal."

Trading Emissions has bought back 7 million shares in January and believes its share price is undervalued

reflecting bearish sentiment based on the difficulties of other credit aggregators. TEP claims its success in securing issuance of credits (5 million expected by the end of April) makes it an exception in a market rife with lower-than-projected issuances.

## CDM Rulebook Now Available

*From Baker Mackenzie Press Release*

[www.cdmrulebook.org](http://www.cdmrulebook.org) may be a useful site for basic information on the CDM.

## Canadian Climate Exchange to Open

*From Point Carbon*

The Montreal Climate Exchange will begin trading carbon futures contracts on 30 May as they note there is greater certainty in Canada on regulations to govern its carbon market. On March 11 the government set intensity-based targets for 17 industrial sectors and a carbon trading system.

## Post-2012 Credit Funds Planned

*From Argus European Emissions Markets*

While most buyers cite regulatory uncertainty as preventing purchases of credits from 2013, Finnish broker GreenStream plans to launch a carbon fund investing in post-Kyoto credits, while the Finnish government has announced it intends to spend €30 million on post-Kyoto credits.

Several other banks are working to set up a €125 million purchase facility including the European Investment Bank, Spain's Instituto de Credito Oficial, Germany's KfW, the Nordic Investment Bank and Caisse de Deposits. The World Bank has also inked purchase agreements for 2013 onwards.

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